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December 14, 2010

**AGENDA ITEM 5c**

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION  
COMMITTEE**

**I. SUBJECT:** EFI's Parallel Valuation and Certification of the State  
and Schools as of June 30, 2009

**II. PROGRAM:** Actuarial & Employer Services Branch

**III. RECOMMENDATION:**

It is recommended that the Committee accept and recommend to the full Board the acceptance of EFI's report on the June 30, 2009 parallel valuation and certification of the actuarial valuation of the State and Schools plans in completion of Task 2 of Contract 2009-5377. A copy of the report is included in Attachment 1.

**IV. ANALYSIS:**

EFI recently completed their independent parallel valuation of the State and Schools plans. EFI has certified our results as "accurate within professional tolerances" and "calculated in accordance with generally accepted actuarial principles". The report also stated that "the liability and cost computations continue to be prepared by CalPERS' staff in a systematic, careful and thorough manner."

The results of EFI's independent parallel valuation of the State and Schools plans show that:

- Employer contribution rates for each plan were within 4% (in relative terms) of those in the staff valuation.
- The total fiscal year 2010-2011 contribution amount for all State plans and the Schools pool was within 2% of the staff valuation
- Both the accrued and projected future liabilities computed by EFI were within 3% of those calculated by CalPERS actuaries

As part of their audit, EFI performed in-depth investigations into two areas:

- 1) The Schools population is unique in that many of the active plan participants are part-time employees. These members are subject to special handling for the purpose of the valuation. After extensive review and analysis, EFI believes that the methods used by CalPERS' staff are well within reason and acceptable. EFI recommends and CalPERS' staff agrees to add a brief explanation of the special valuation procedures and assumptions for these members within the next valuation report. EFI further recommend and CalPERS' staff agrees to separately analyze the part-time members in the next experience study to determine if any material difference in demographic experience exists.
- 2) Current Tier 2 members of the State may transfer to Tier 1, provided that they either pay past employee contributions or accept an actuarially reduced retirement benefit. These members are subject to special handling for the purpose of the valuation. EFI reviewed the approach and found it to be reasonable and sufficiently conservative. EFI recommends and CalPERS' staff agrees to adding a brief explanation of the special valuation procedures and assumptions for these members within the valuation report

EFI concluded their audit by stating that "we are able to certify that the liabilities and costs computed by staff as of June 30, 2009 are reasonably accurate and were computed in accordance with generally accepted actuarial principles."

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

**VI. RESULTS/COSTS:**

There are no costs associated with this item other than the payment of EFI's fee under contract 2009-5377.

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DAVID CLEMENT  
Senior Pension Actuary  
Actuarial Office

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ALAN MILLIGAN  
Chief Actuary

Attachment